

**ROME TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ROME TOWNSHIP	County LENAWEE
Fiscal Year End MARCH 31, 2006	Opinion Date NOVEMBER 27, 2006	Date Audit Report Submitted to State DECEMBER 5, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

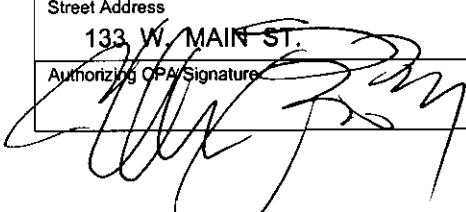
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA		Telephone Number (517) 458-2274	
Street Address 133 W. MAIN ST.		City MORENCI	State MI
Zip 49256		License Number 9223	
Authorizing CPA Signature 		Printed Name PHILIP R. RUBLEY	

**ROME TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

TABLE OF CONTENTS

	<u>Page</u>
 <u>FINANCIAL SECTION</u>	
Management Discussion and Analysis	1 - 5
Independent Auditor's Report	6
<u>Basic Financial Statements:</u>	
Government – Wide Statement of Net Assets	7
Government – Wide Statement of Activities	8
<u>Fund Financial Statements:</u>	
Governmental Fund Balance Sheet	9
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	10
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Fiduciary Funds – Statement of Net Assets	13
Notes to Financial Statements	14 - 20
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
Budgetary Comparison Schedule – General Fund	21 - 22

ROME TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Rome Township on a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements, also slightly changed from prior years, follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 1 individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

FIDUCIARY FUNDS. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township maintains 1 individual fiduciary fund - the tax collection fund.

ROME TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

NOTES TO THE FINANCIAL STATEMENTS. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare and community and economic development and other functions.

FUND FINANCIAL STATEMENTS. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

OTHER INFORMATION

The Township has reported under required supplementation information, information about the General Fund, Expenditures and Changes in Fund Balances.

ROME TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Rome Township
Statement of Net Assets

Governmental
Activities

2006

ASSETS

Current Assets	\$284,459
Noncurrent Assets:	
Capital Assets	<u>26,537</u>
Total Assets	<u>\$310,996</u>

LIABILITIES

Accounts Payable and	
Accrued Expenses	<u>\$112,086</u>
Total Liabilities	<u>112,086</u>

NET ASSETS

Invested in Capital Assets	26,537
Unrestricted	105,185
Designated Building and Site	<u>67,188</u>
Total Net Assets	<u>\$198,910</u>

The Township's combined net assets (decreased) 7.9 percent from a year ago.
(Decreasing) by \$16,995.

ROME TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Statement of Government-Wide Activities

Governmental
Activities

2006

REVENUE

Program Revenue:	
Charges for Services	\$ 22,485

General Revenue:	
Property Taxes	125,248
Intergovernmental	123,797
Interest	<u>8,092</u>

Total Revenue	<u>279,622</u>
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PROGRAM EXPENSES

General Government	66,126
Public Safety	46,481
Public Works	164,615
Community & Economic Development	8,962
Other Functions	<u>10,433</u>

Total Program Expenses	<u>296,617</u>
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Change in Net Assets	(16,995)
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Net Assets – Beginning of Year	<u>215,905</u>
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Net Assets – End of Year	<u>\$198,910</u>
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ROME TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Governmental Activities

The Township's expenses remained fairly constant except for highways, streets and bridges which varies depending on projects.

The Township's Funds

Our analysis of the Township's major funds begins on Page 9. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purpose as well as show accountability for certain activities. The Township's major fund for 2006 is the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township administration and Township Board monitor the budget to take into account unanticipated events that occur during the year. There were no significant events affecting the budget.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$84,139 invested in capital assets, including land, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law.

Economic Factors and Next Year's Budget and Rate

Rome Township is in rural Lenawee County, Michigan a farm community. Anticipated property tax increases and growth are not expected. In addition, State revenue sharings, which represents 44.3 percent of the General Fund budget, is likely to decrease, because of the State's current economic state. This will require close tabs on expenditures for the upcoming year. Adjustments will be made to mirror the revenue base, ensuring the continuation of the trend of excess revenues over expenditures.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office on Onsted Hwy., Onsted, Michigan 49265.

PHILIP R. RUBLEY

– Certified Public Accountant –

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

November 27, 2006

**Board of Trustees
Rome Township
Lenawee County, Michigan**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rome Township, Lenawee County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rome Township, Lenawee County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rome Township, Lenawee County, Michigan basic financial statements.

Respectfully Submitted,


Philip R. Rubley, CPA

ROME TOWNSHIP
Government Wide Statement of Net Assets
March 31, 2006

Primary Government

**Governmental
Activities**

ASSETS

Cash and Cash Equivalents	\$143,694
Property Tax Receivable	15,109
Accrued Interest Receivable	60
Prepaid Expenses and Other Assets	125,596
Capital Assets -	
Non-Depreciated	500
Capital Assets -	
Net of Depreciation	<u>26,037</u>

Total Assets	<u>\$310,996</u>
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LIABILITIES

Accounts Payable	\$110,320
Accrued Payroll Deductions and Withholdings	<u>1,766</u>

Total Liabilities	<u>\$112,086</u>
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NET ASSETS

Invested in Capital Assets	\$ 26,537
Unrestricted	105,185
Designated for Building and Site	<u>67,188</u>

Total Net Assets	<u>\$198,910</u>
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ROME TOWNSHIP
Government Wide Statement of Activities
Year Ended March 31, 2006

<u>FUNCTIONAL PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:				
General Government	\$ 66,126	\$10,296	\$ ---	\$ (55,830)
Public Safety	46,481	12,189	---	(34,292)
Public Works	164,615	---	---	(164,615)
Community and Economic Development	8,962	---	---	(8,962)
Other Functions	<u>10,433</u>	<u>---</u>	<u>---</u>	<u>(10,433)</u>
Total Governmental Activities	<u>\$296,617</u>	<u>\$22,485</u>	<u>\$ ---</u>	<u>\$ (274,132)</u>
Change in Net Assets				\$ (274,132)
General Revenues:				
Property Taxes				125,248
Intergovernmental Revenues				123,797
Interest Income				<u>8,092</u>
Total General Revenues				<u>257,137</u>
Change in Net Assets (Decrease)				(16,995)
Net Assets, Beginning of Year				<u>215,905</u>
Net Assets, End of Year				<u>\$ 198,910</u>

ROME TOWNSHIP
Governmental Fund Balance Sheet
March 31, 2006

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$143,694
Taxes Receivable	15,109
Pre-Paid Expenses	4,508
Due from Tax Collection Fund	121,088
Accrued Interest Receivable	<u>60</u>
Total Assets	<u>\$284,459</u>
<u>LIABILITIES</u>	
Accounts Payable	\$110,320
Payroll Deductions/Accrual	1,766
Deferred Revenue	<u>189</u>
Total Liabilities	<u>112,275</u>
<u>FUND BALANCE</u>	
Unreserved	
Designated for Building and Site	67,188
Undesignated	<u>104,996</u>
Total Fund Balance	<u>172,184</u>
Total Liabilities and Fund Balance	<u>\$284,459</u>

ROME TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended March 31, 2006

Fund Balances – Total Governmental Funds	\$172,184
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**Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:**

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

ADD - Capital Assets	84,139
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DEDUCT - Accumulated Depreciation	(57,602)
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Deferred revenue - reflected as earned in net assets of governmental activities	<u>189</u>
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Net Assets of Governmental Activities	<u><u>\$198,910</u></u>
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ROME TOWNSHIP
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
For The Year Ended March 31, 2006

	<u>General Fund</u>
<u>REVENUES</u>	
Property Taxes	\$125,059
Licenses and Permits	12,189
Intergovernmental	123,797
Charges for Services	9,400
Interest	8,092
Other	<u>896</u>
Total Revenues	<u>279,433</u>
 <u>EXPENDITURES</u>	
Current	
General Government	60,807
Public Safety	46,481
Public Works	164,615
Community and Economic Development	8,962
Other Functions	10,433
Capital Outlay	<u>11,746</u>
Total Expenditures	<u>303,044</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 (23,611)
 Fund Balance, Beginning of Year	 <u>195,795</u>
 Fund Balance, End of Year	 <u><u>\$172,184</u></u>

ROME TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended March 31, 2006

Net Change in Fund Balances – Total Governmental Funds (Deficit)	\$ (23,611)
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Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

8,910

DEDUCT - Depreciation Expense

(2,483)

Deferred revenue

189

Change in Net Assets of Governmental Activities (Deficit)

\$ (16,995)

ROME TOWNSHIP
Fiduciary Funds – Statement of Net Assets
March 31, 2006

	Tax Collection Fund
<u>ASSETS</u>	
Cash	<u>\$121,088</u>
Total Assets	<u>\$121,088</u>
<u>LIABILITIES</u>	
Due to General Fund	<u>\$121,088</u>
Total Liabilities	<u>\$121,088</u>

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Rome Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Rome Township.

A. Reporting Entity

Rome Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Rome Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental revenue fees and licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following fund types:

The Fiduciary Funds account for assets held for other governments in an agency capacity, including tax collection, and other project funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government - wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government -wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and any possible contingent assets and liabilities as of the financial statement date. Actual results could differ from these statements.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Capital Assets** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

5. **Fund Equity** – In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. Rome Township currently has designated monies for Building and Site, these are management plans which are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles accepted in the United States of America (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of March of each year, the Board presents the proposed budget for review and holds public hearings and a final budget adopted.

The appropriated budget is prepared by fund, function and department.

The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. No significant adjustments were made to the budget.

- B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

There were no excess of amounts appropriated for the year ended March 31, 2006.

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

At year-end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash, Certificates of Deposit	<u>\$264,782</u>

This includes the Agency fund cash accounts of \$121,088. The checking account balance is insured by federal depository insurance of \$100,000.

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

	<u>Category</u>				<u>Carrying Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Uncategorized</u>	
Cash and Cash Equivalents	<u>\$100,000</u>	<u>\$164,782</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$264,782</u>

The above amounts include the cash of the tax collection fund cash of \$121,088.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government are as follows:

	<u>General Fund</u>
Taxes Receivable - Real	\$13,154
Taxes Receivable - Personal Property	<u>1,955</u>
	<u>\$15,109</u>

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 5 – CAPITAL ASSETS

Governmental Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Not Being Depreciated:				
Land	\$ 500	\$ ---	\$ ---	\$ 500
Capital Assets				
Being Depreciated:				
Building	38,272	7,910	---	46,182
Equipment	36,457	1,000	---	37,457
Total Capital Assets Being Depreciated	<u>74,729</u>	<u>8,910</u>	<u>---</u>	<u>83,639</u>
Less Accumulated Depreciation For:				
Building	(34,594)	(386)	---	(34,980)
Equipment	(20,525)	(2,097)	---	(22,622)
Total Accumulated Depreciation	<u>(55,119)</u>	<u>(2,483)</u>	<u>---</u>	<u>(57,602)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,610</u>	<u>6,427</u>	<u>---</u>	<u>26,037</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,110</u>	<u>\$ 6,427</u>	<u>\$ ---</u>	<u>\$ 26,537</u>

Depreciation expense was charged to Governmental Activities - general government for \$2,483 at March 31, 2006.

NOTE 6 – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from those risks that exceeded its coverage in any of the past three fiscal years.

ROME TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 7 – PROPERTY TAXES

The government's property taxes are levied each year, on the taxable valuation of property located within the township. These taxes are due by February 14, with final collection date of February 28, before they are added to the county tax rolls.

Delinquent real property taxes are reimbursed to the local unit through a county revolving tax fund.

The township levies of \$97,209 for general operations and an additional assessment for Roads and Bridges of \$25,534.

NOTE 8 – PENSION

The government has no pension, and has elected to be inclusive in the social security system.

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$121,088	\$ ---
Tax Collection Fund	<u>---</u>	<u>121,088</u>
	<u>\$121,088</u>	<u>\$121,088</u>

ROME TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<u>BEGINNING OF YEAR</u>				
<u>FUND BALANCE</u>				
Resources (Inflows)	\$195,795	\$195,795	\$195,795	\$ ---
Property Taxes	105,470	105,470	125,059	19,589
Intergovernmental	120,000	120,000	123,797	3,797
Licenses and Permits	13,920	13,920	12,189	(1,731)
Charge for Services	9,000	9,000	9,400	400
Interest	3,500	3,500	8,092	4,592
Other	250	250	896	646
Total Available For Appropriation	<u>447,935</u>	<u>447,935</u>	<u>475,228</u>	<u>27,293</u>
<u>CHANGES TO</u>				
<u>APPROPRIATIONS (Outflows)</u>				
General Government:				
Township Board	7,202	7,202	5,460	1,742
Supervisor	9,778	9,778	8,971	807
Elections	2,550	2,550	57	2,493
Professional Fees	6,500	6,500	1,443	5,057
Clerk	15,096	15,096	12,455	2,641
Treasurer	13,712	13,712	12,162	1,550
Board of Review	3,177	3,177	1,414	1,763
Township Hall	5,000	5,000	1,585	3,415
Assessor	9,981	9,981	9,023	958
Cemetery	9,300	9,300	8,237	1,063
Total General Government	<u>82,296</u>	<u>82,296</u>	<u>60,807</u>	<u>21,489</u>
Public Safety:				
Inspections	18,021	18,021	8,275	9,746
Fire	45,984	45,984	38,206	7,778
Total Public Safety	<u>64,005</u>	<u>64,005</u>	<u>46,481</u>	<u>17,524</u>
Public Works:				
Drains	2,000	2,000	1,189	811
Highways & Bridges	177,268	177,268	163,426	13,842
Sanitation	2,516	2,516	---	2,516
Total Public Works	<u>181,784</u>	<u>181,784</u>	<u>164,615</u>	<u>17,169</u>

ROME TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Community & Economic Development:				
Zoning/Planning	20,867	20,867	8,262	12,605
Land Division	<u>1,300</u>	<u>1,300</u>	<u>700</u>	<u>600</u>
 Total Community & Economic Development	 <u>22,167</u>	 <u>22,167</u>	 <u>8,962</u>	 <u>13,205</u>
 Capital Outlay	 <u>15,463</u>	 <u>15,463</u>	 <u>11,746</u>	 <u>3,717</u>
 Other Functions	 <u>24,849</u>	 <u>24,849</u>	 <u>10,433</u>	 <u>14,416</u>
 Total Changes to Appropriations	 <u>390,564</u>	 <u>390,564</u>	 <u>303,044</u>	 <u>87,520</u>
 End of The Year Fund Balance	 <u>\$ 57,371</u>	 <u>\$ 57,371</u>	 <u>\$172,184</u>	 <u>\$114,813</u>

PHILIP R. RUBLEY

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MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
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November 27, 2006

**Township Board
Rome Township
Lenawee County, Michigan**

We have examined the financial statements of the Rome Township, Lenawee County, Michigan as of and for the year ended March 31, 2006, and have issued our report thereon dated November 27, 2006. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed the following conditions which we consider to be material weaknesses for which corrective action by the management of Rome Township is recommended:

1. **MAINTENANCE OF FIXED ASSETS**

The Township needs to maintain records of additions and disposals of fixed assets each year, and keep data supporting assets to be depreciated over the \$1,000 threshold approved.

2. **GENERAL LEDGER**

It is imperative that the general ledger reflect the correct posting of the activity for the fiscal year.

3. **BANK RECONCILIATIONS**

Bank reconciliations were prepared properly but they needed to be tied into the general ledger monthly.

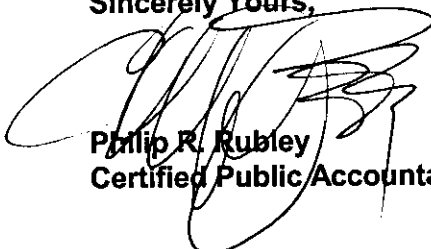
4. **BUDGET**

Any budget adjustment should be approved by the board, and the original budget and changed amended budget should be maintained.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated November 27, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Sincerely Yours,



Philip R. Rubley
Certified Public Accountant